

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Lodi Gas Storage, L.L.C., Western Hub Properties L.L.C., and WHP Acquisition Company, LLC, to Transfer Control of Lodi Gas Storage, L.L.C., to WHP Acquisition Company, LLC, Which Will Occur Indirectly as a Result of the Purchase of Western Hub Properties L.L.C. by WHP Acquisition Company, LLC, Pursuant to Public Utilities Code Section 854(a) and of Lodi Gas Storage, L.L.C. for Approval of a Secured Long-Term Financing Pursuant to Public Utilities Code Sections 816, 817, 818, 823 and 851.

Application 01-09-045
(Filed September 28, 2001)

**ASSIGNED COMMISSIONER'S RULING REQUIRING
ADDITIONAL INFORMATION ON MARKET POWER**

This Application seeks authority for an indirect change of control of Lodi Gas Storage (LGS) via the sale of its corporate parent, Western Hub Properties, LLC to WHP Acquisition Company, LLC, which is jointly owned by ArcLight Energy Partners Fund I, LP and Aquila Merchant Services, Inc. (AMS). AMS is a wholly-owned subsidiary of Aquila, Inc. (Aquila), formerly known as UtiliCorp United Inc.¹

¹ This name change occurred after the Application was filed. It is described in the Joint Motion and supporting declaration filed with the Commission on March 5, 2002.

Aquila, a multinational corporation, owns various utility and other, unregulated businesses in the United States, Canada, Australia and New Zealand. AMS is, itself, a major wholesale energy merchant. The Application, as amended, states that AMS has no market power in California and that the indirect change of control, if authorized, will not confer market power on LGS. The Application, as amended, does not include any market power studies or analyses to support these contentions. I believe the record on market power should be supplemented and direct Joint Applicants to respond to the questions attached to this ruling. The response shall be titled "Response to Assigned Commissioner's Ruling on Market Power," shall be verified by appropriate affidavit or declaration under penalty of perjury, and shall be filed in this proceeding on or before June 24, 2002.

IT IS RULED that:

1. Joint Applicants are directed to supplement the record on market power by responding to the questions attached to this ruling.

2. The response shall be entitled "Response to Assigned Commissioner's Ruling on Market Power," shall be verified by appropriate affidavit or declaration under penalty of perjury, and shall be filed in this proceeding on or before June 24, 2002.

Dated May 17, 2002, at San Francisco, California.

/s/ LORETTA LYNCH

Loretta Lynch
Assigned Commissioner

ATTACHMENT

Questions for Joint Applicants:

1. Provide any market studies that have been done regarding the California natural gas storage markets, including in-house documents (such as memos and e-mails) that provide such analyses.
2. If not provided in response to Question 1, please submit any analyses that estimate the number of potential customers in the California natural gas storage market, and the prices they are expected to pay for gas storage services.
3. Provide any analyses you may have that estimate the minimum efficient scale for a gas storage company. That is, what is the minimum amount of working gas capacity needed for the storage facility to be able to run efficiently and profitably?
4. It appears that LGS and WGSJ are the only companies that have applied to this Commission to enter the independent gas storage market since the Commission issued D.93-02-013, the *Gas Storage Decision*. Do you have any analyses that indicate that this market could economically support additional entrants?
5. Please describe any difficulties you encountered during the regulatory approval process for this project, from the initial application/permit stage to the present. Do you have any information regarding the relative difficulty, cost, and time required for this process vis-à-vis other states?
6. What geological analyses did you perform to assess what locations might be potentially suitable for a gas storage facility? Please produce any analyses that discuss why the Lodi Gas Storage Facility was chosen over other locations.
7. You propose that LGM assume the unsubscribed capacity and pay LGS for it. By how much will the price paid by LGM exceed the average cost of providing this service?

(END OF ATTACHMENT)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Assigned Commissioner's Ruling Requiring Additional Information on Market Power on all parties of record in this proceeding or their attorneys of record.

Dated May 17, 2002, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.